

## News Release

Embargoed for release:  
8:30 am Eastern Time  
7:30 am Central Time  
May 20, 2008

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### What is the National Activity Index?

The index is a weighted average of 85 indicators of national economic activity. The indicators are drawn from four broad categories of data: 1) production and income; 2) employment, unemployment, and hours; 3) personal consumption and housing; and 4) sales, orders, and inventories.

A zero value for the index indicates that the national economy is expanding at its historical trend rate of growth; negative values indicate below-average growth; and positive values indicate above-average growth.

### Why are there two index values?

Each month, we provide a monthly index number, which reflects economic activity in the latest month for which we have data, and a three-month moving average. Month-to-month movements can be volatile, so the index's three-month moving average, the CFNAI-MA3, provides a more consistent picture of national economic growth.

### What do the numbers mean?

When the CFNAI-MA3 value moves below  $-0.70$  following a period of economic expansion, there is an increasing likelihood that a recession has begun.

When the CFNAI-MA3 value moves above  $+0.70$  more than two years into an economic expansion, there is an increasing likelihood that a period of sustained increasing inflation has begun.

The next CFNAI will be released:  
June 23, 2008  
8:30 am Eastern Time  
7:30 am Central Time

FEDERAL RESERVE BANK  
OF CHICAGO

# Chicago Fed *National Activity Index*

## Index shows economic activity weakened further in April

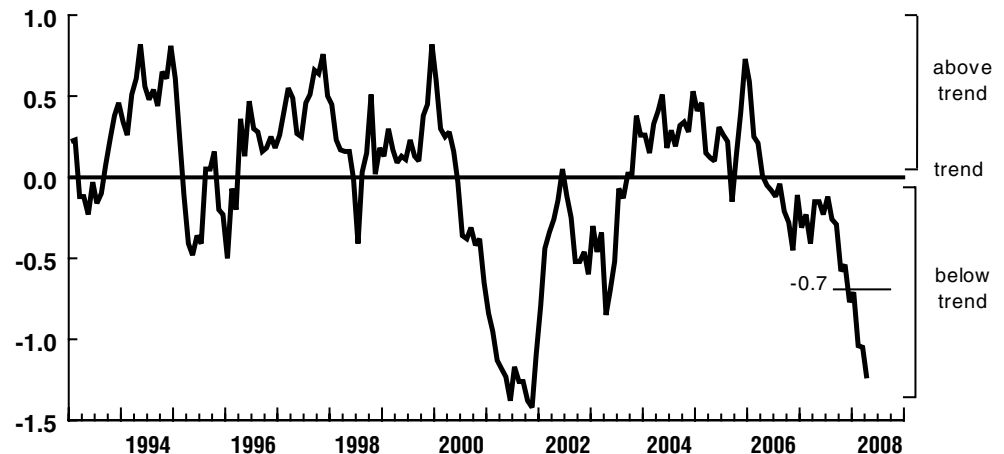
The Chicago Fed National Activity Index was  $-1.17$  in April, down from  $-0.98$  in March. All four broad categories of indicators made negative contributions to the index in April.

The three-month moving average, CFNAI-MA3, decreased to  $-1.24$  in April from  $-1.05$  in March. This negative value suggests that growth in national economic activity was below its historical trend. With regard to inflation, April's three-month moving average indicates low inflationary pressure from economic activity over the coming year.

A CFNAI-MA3 value below  $-0.70$  following a period of economic expansion indicates an increasing likelihood that a recession has begun. April marked the fifth consecutive month that the three-month moving average was below the  $-0.70$  threshold. In addition, April's CFNAI-MA3 was the lowest reading for the index since the months associated with the 2001 recession.

Production-related indicators made a contribution of  $-0.59$  to the index in April, compared with a contribution of  $-0.14$  in March. Total industrial production declined 0.7 percent in April

Chicago Fed National Activity Index, Three-Month Moving Average (CFNAI-MA3)



### CFNAI and CFNAI-MA3 for the latest six months and year-ago month

	Apr '08	Mar '08	Feb '08	Jan '08	Dec '07	Nov '07	Apr '07
<b>CFNAI</b>							
Current	-1.17	-0.98	-1.59	-0.58	-0.95	-0.59	-0.20
Previous	N/A	-0.78	-1.28	-0.53	-0.95	-0.60	-0.21
<b>CFNAI-MA3</b>							
Current	-1.24	-1.05	-1.04	-0.71	-0.77	-0.54	-0.15
Previous	N/A	-0.86	-0.92	-0.69	-0.77	-0.55	-0.16

Current and Previous values reflect index values as of the May 20, 2008, release and April 21, 2008, release, respectively. N/A indicates not applicable.

after increasing 0.2 percent in the previous month. Employment-related indicators made a contribution of  $-0.29$  to the index in April, following a contribution of  $-0.55$  in March. Total nonfarm payroll employment decreased by 20,000 in April after a decline of 81,000 in the previous month.

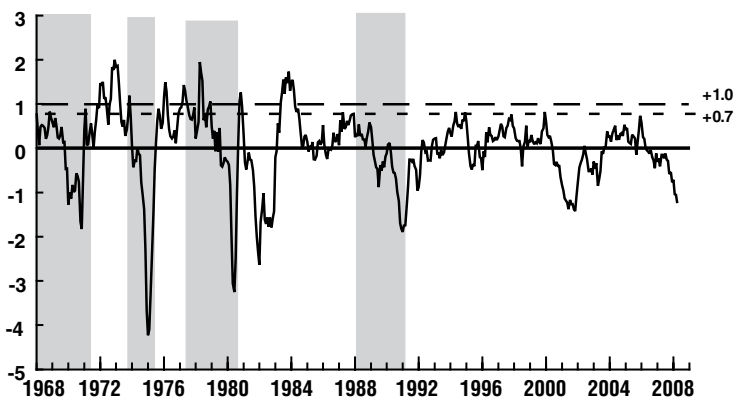
The consumption and housing category of indicators also made a large negative contribution of  $-0.24$  to the index in April, following a contribution of  $-0.30$  in March. Housing starts increased 8.2 percent in April, following a 13.8 percent decline in the previous month, and building permits were 4.9 percent higher in April after decreasing 5.0 percent in March. However, both indicators remain well below their historical averages and, thus, continue to contribute negatively to the index. The sales, orders, and inventories category made a contribution of  $-0.05$  in April.

Twenty-one of the 85 individual indicators made positive contributions to the index in April, while 64 made negative contributions.

Thirty-eight indicators improved from March to April, while 45 indicators deteriorated. Of the improved indicators, 24 made negative contributions. The index was constructed using data available as of May 19, 2008. At that time, April data for 52 of the 85 indicators had been published. For all missing data, estimates were used in constructing the index.

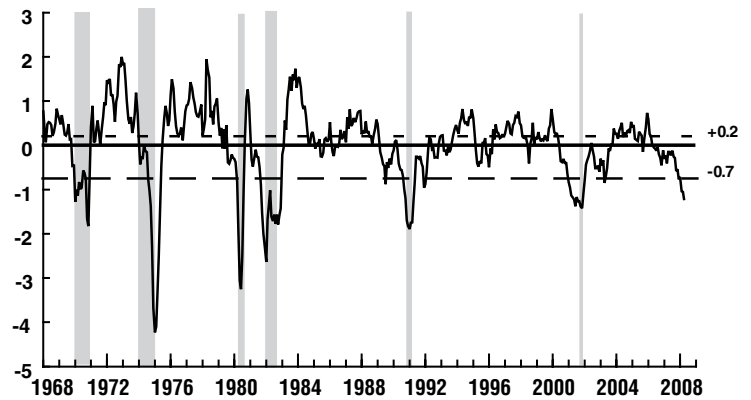
The March monthly index was revised down to  $-0.98$  from an initial estimate of  $-0.78$ . Revisions to the monthly index can be attributed to two main factors: revisions in previously published data and differences between the estimates of previously unavailable data and subsequently published data. The downward revision to the March monthly index was primarily due to differences between the estimates of previously unavailable data and subsequently published data.

### CFNAI-MA3 and Inflation Cycles



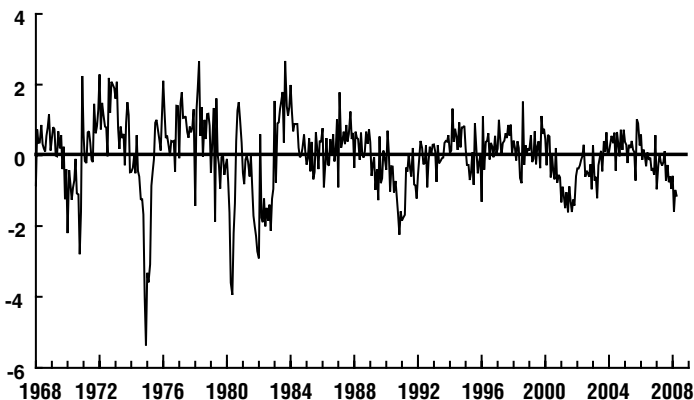
Notes: Shading represents periods of substantial inflation increases. A CFNAI-MA3 value above  $+0.70$  more than two years into an economic expansion indicates an increasing likelihood that a period of sustained increasing inflation has begun. A CFNAI-MA3 value above  $+1.00$  more than two years into an economic expansion indicates a substantial likelihood that a period of sustained increasing inflation has begun.

### CFNAI-MA3 and Business Cycles



Notes: Shading indicates official periods of recession as identified by the National Bureau of Economic Research. A CFNAI-MA3 value below  $-0.70$  following a period of economic expansion indicates an increasing likelihood that a recession has begun. A CFNAI-MA3 value above  $+0.20$  following a period of economic contraction indicates a significant likelihood that a recession has ended.

### CFNAI, Monthly Index



### 2008 CFNAI Release Dates

<i>Date of Release</i>	<i>Monthly Data for</i>
<i>June 23, 2008</i>	<i>May 2008</i>
<i>July 21, 2008</i>	<i>June 2008</i>
<i>August 25, 2008</i>	<i>July 2008</i>
<i>September 22, 2008</i>	<i>August 2008</i>
<i>October 21, 2008</i>	<i>September 2008</i>
<i>November 24, 2008</i>	<i>October 2008</i>
<i>December 22, 2008</i>	<i>November 2008</i>